

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|---|--------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | County |
| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature <i>Hennrich A. Berthiaume</i> | Printed Name | | License Number | |

JAMES TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2006

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BERTHIAUME
& COMPANY

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
James Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of James Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise James Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

June 22, 2006

BASIC FINANCIAL STATEMENTS

JAMES TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2006

| | <i><u>Governmental Activities</u></i> | <i><u>Business-type Activities</u></i> | <i><u>Total</u></i> |
|---|---|--|-------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 1,514,792 | \$ 911,267 | \$ 2,426,059 |
| Receivables | 110,489 | 34,130 | 144,619 |
| Prepaid expenses | 8,944 | - | 8,944 |
| Investment in joint venture | - | 51,126 | 51,126 |
| Capital assets: | | | |
| Nondepreciable capital assets | 25,870 | - | 25,870 |
| Depreciable capital assets, net | <u>633,364</u> | <u>209,796</u> | <u>843,160</u> |
| Total assets | <u>2,293,459</u> | <u>1,206,319</u> | <u>3,499,778</u> |
| Liabilities: | | | |
| Accounts payable and accrued expenses | 28,308 | 18,962 | 47,270 |
| Long-term liabilities: | | | |
| Due within one year | 13,345 | - | 13,345 |
| Due in more than one year | <u>85,220</u> | <u>-</u> | <u>85,220</u> |
| Total liabilities | <u>126,873</u> | <u>18,962</u> | <u>145,835</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 547,969 | 209,796 | 757,765 |
| Restricted for: | | | |
| Investment in joint venture | - | 51,126 | 51,126 |
| Unrestricted | <u>1,618,617</u> | <u>926,435</u> | <u>2,545,052</u> |
| Total net assets | <u>\$ 2,166,586</u> | <u>\$ 1,187,357</u> | <u>\$ 3,353,943</u> |

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

| | | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|------------------------------------|-------------------|-------------------------------------|---|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| | <u>Expenses</u> | | | | |
| Functions/Programs | | | | | |
| <i>Governmental activities:</i> | | | | | |
| General government | \$ 118,047 | \$ 13,000 | \$ 2,558 | \$ - | \$ (102,489) |
| Public safety | 81,101 | 11,185 | - | 88,203 | 18,287 |
| Public works | 152,312 | 99,125 | 12,369 | - | (40,818) |
| Community and economic development | 11,361 | 1,151 | - | - | (10,210) |
| Recreation and culture | 8,009 | - | - | - | (8,009) |
| Interest on long-term debt | 4,715 | - | - | - | (4,715) |
| Total governmental activities | <u>\$ 375,545</u> | <u>\$ 124,461</u> | <u>\$ 14,927</u> | <u>\$ 88,203</u> | <u>\$ (147,954)</u> |
| <i>Business-type activities:</i> | | | | | |
| Water | <u>217,248</u> | <u>221,316</u> | <u>-</u> | <u>-</u> | <u>4,068</u> |
| Total business-type activities | <u>\$ 217,248</u> | <u>\$ 221,316</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,068</u> |

continued

The accompanying notes are an integral part of these financial statements.

| | <i>Governmental Activities</i> | <i>Business- type Activities</i> | <i>Total</i> |
|---|---|---|---------------------|
| | | | |
| <i>Changes in net assets:</i> | | | |
| Net (Expense) Revenue | \$ (147,954) | \$ 4,068 | \$ (143,886) |
| <i>General revenues:</i> | | | |
| Taxes: | | | |
| Property taxes, levied for general purpose | 56,355 | - | 56,355 |
| Property taxes, levied for fire protection | 44,996 | - | 44,996 |
| Payment in lieu of taxes | 286 | - | 286 |
| Franchise taxes | 9,532 | - | 9,532 |
| Grants and contributions not restricted to specific programs | 136,448 | - | 136,448 |
| Unrestricted investment earnings | 29,207 | 17,909 | 47,116 |
| Miscellaneous | 1,039 | - | 1,039 |
| | | | |
| Total general revenues | 277,863 | 17,909 | 295,772 |
| | | | |
| Change in net assets | 129,909 | 21,977 | 151,886 |
| | | | |
| Net assets, beginning of year | 2,036,677 | 1,165,380 | 3,202,057 |
| | | | |
| Net assets, end of year | \$ 2,166,586 | \$ 1,187,357 | \$ 3,353,943 |

JAMES TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

| | <i><u>General Fund</u></i> |
|--|--------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 1,514,792 |
| Taxes receivable | 48,655 |
| Accounts receivable | 39,635 |
| Due from other governmental units | 22,199 |
| Prepaid expenditures | <u>8,944</u> |
| Total assets | <u>\$ 1,634,225</u> |
| Liabilities and Fund Balance: | |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 24,467 |
| Deposits payable | <u>3,841</u> |
| Total liabilities | <u>28,308</u> |
| Fund balance: | |
| Reserved for: | |
| Prepaid expenditures | 8,944 |
| Unreserved: | |
| General fund | <u>1,596,973</u> |
| Total fund balance | <u>1,605,917</u> |
| Total liabilities and fund balance | <u>\$ 1,634,225</u> |

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

Total fund balances for governmental funds \$ 1,605,917

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

| | | |
|-------------------------------|------------------|---------|
| Governmental capital assets | 1,255,127 | |
| Less accumulated depreciation | <u>(595,893)</u> | 659,234 |

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

| | |
|-------------------|-----------------|
| Contracts payable | <u>(98,565)</u> |
|-------------------|-----------------|

Net assets of governmental activities \$ 2,166,586

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

| | <i><u>General Fund</u></i> |
|-------------------------------------|--------------------------------|
| Revenues: | |
| Property taxes | \$ 101,637 |
| Licenses and permits | 20,242 |
| Federal grants | 88,203 |
| State grants | 142,076 |
| Charges from services | 100,276 |
| Fines and forfeits | 71 |
| Interest and rents | 42,047 |
| Other revenue | <u>16,143</u> |
| Total revenues | <u>510,695</u> |
| Expenditures: | |
| Current | |
| General government | 107,803 |
| Public safety | 51,309 |
| Public works | 157,553 |
| Community and economic development | 11,321 |
| Recreation and culture | 7,512 |
| Other | 553 |
| Capital outlay | 121,794 |
| Debt service | |
| Principal | 12,700 |
| Interest and fees | <u>4,715</u> |
| Total expenditures | <u>475,260</u> |
| Net change in fund balance | 35,435 |
| Fund balance, beginning of year | <u>1,570,482</u> |
| Fund balance, end of year | <u><u>\$ 1,605,917</u></u> |

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

| | |
|---|------------------|
| Net change in fund balances - total governmental funds | \$ 35,435 |
|---|------------------|

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

| | | |
|---------------------------|-----------------|--------|
| Capital outlay | 119,219 | |
| Less depreciation expense | <u>(37,445)</u> | 81,774 |

| | |
|---|---------------|
| Repayments of principal on contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. | <u>12,700</u> |
|---|---------------|

| | |
|--|--------------------------|
| Change in net assets of governmental activities | <u>\$ 129,909</u> |
|--|--------------------------|

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

March 31, 2006

| | <u>Water Fund</u> |
|---------------------------------|-----------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 911,267 |
| Accounts receivable | <u>34,130</u> |
| Total current assets | <u>945,397</u> |
| Noncurrent assets: | |
| Investment in joint venture | 51,126 |
| Capital assets: | |
| Depreciable capital assets, net | <u>209,796</u> |
| Total noncurrent assets | <u>260,922</u> |
| Total assets | <u>1,206,319</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 9,103 |
| Accrued expenses | <u>9,859</u> |
| Total current liabilities | <u>18,962</u> |
| Total liabilities | <u>18,962</u> |
| Net assets: | |
| Invested in capital assets | 209,796 |
| Restricted for: | |
| Investment in joint venture | 51,126 |
| Unrestricted | <u>926,435</u> |
| Total net assets | <u>\$ 1,187,357</u> |

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Year Ended March 31, 2006

| | <i>Water Fund</i> |
|---|------------------------------|
| Operating revenues: | |
| Charges for services | \$ 213,516 |
| Other | <u>7,800</u> |
| Total operating revenues | <u>221,316</u> |
| Operating expenses: | |
| Personnel | 58,450 |
| Fringe benefits | 4,480 |
| Supplies | 1,577 |
| Contracted services | 3,066 |
| Purchase of water | 95,338 |
| Telephone | 635 |
| Dues and membership fees | 1,142 |
| Education and training | 934 |
| Insurance | 4,200 |
| Repair and maintenance | 17,601 |
| Other services and supplies | 6,231 |
| Depreciation | <u>23,594</u> |
| Total operating expenses | <u>217,248</u> |
| Operating income (loss) | 4,068 |
| Non-operating revenues (expenses): | |
| Interest income | <u>17,909</u> |
| Total non-operating revenues (expenses) | <u>17,909</u> |
| Net income (loss) | 21,977 |
| Net assets, beginning of year | <u>1,165,380</u> |
| Net assets, end of year | <u><u>\$ 1,187,357</u></u> |

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

| | <u><i>Water Fund</i></u> |
|---|------------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 224,416 |
| Cash payments to employees | (58,450) |
| Cash payments to suppliers for goods and services | <u>(153,681)</u> |
| Net cash provided by operating activities | <u>12,285</u> |
| Cash flows from investing activities: | |
| Interest received | <u>17,909</u> |
| Net cash provided by investing activities | <u>17,909</u> |
| Net increase in cash and cash equivalents | 30,194 |
| Cash and cash equivalents, beginning of year | <u>881,073</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 911,267</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 4,068 |
| Adjustments | |
| Depreciation | 23,594 |
| Change in assets and liabilities | |
| Accounts receivable | 3,100 |
| Accounts payable | 1,601 |
| Accrued expenses | (940) |
| Due to other funds | <u>(19,138)</u> |
| Net cash provided by operating activities | <u><u>\$ 12,285</u></u> |

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2006

| | <i><u>Agency Fund</u></i> |
|---------------------------------|-------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 414,449 |
| Total assets | <u>414,449</u> |
| Liabilities: | |
| Accounts payable | 70,764 |
| Due to other governmental units | <u>343,685</u> |
| Total liabilities | <u>414,449</u> |
| Net Assets: | |
| Unrestricted | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of James Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Venture – The Township is a member of an intergovernmental agreement to operate a joint water authority with Swan Creek Township and the Village of St. Charles. The Township appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three percent.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Township reports the following major enterprise fund:

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 20-50 years |
| Distribution system | 15-40 years |
| Equipment | 5-15 years |
| Furniture and equipment | 5-10 years |
| Site improvements | 20 years |
| Vehicles | 20 years |

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2005 taxable valuation of the Township totaled \$46,542,971 on which ad valorem taxes levied consisted of .9085 mills for the Township's operating purposes and .9713 mills for fire.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

| | |
|--------------------------------------|---------------|
| Cumulative surplus at April 1, 2005 | \$ - |
| Current year building permit revenue | 10,550 |
| Related expenditures: | |
| Direct costs | <u>11,656</u> |
| Cumulative surplus at March 31, 2006 | <u>\$ -</u> |

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,433,160 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$305,381 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2006.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

| | <u>April 1, 2005</u> | <u>Additions</u> | <u>Retirements</u> | <u>March 31, 2006</u> |
|---|--------------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 25,870 | \$ - | \$ - | \$ 25,870 |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 384,081 | 7,078 | - | 391,159 |
| Equipment | 182,400 | 103,099 | - | 285,499 |
| Furniture and equipment | 42,157 | 9,042 | - | 51,199 |
| Site improvements | 4,500 | - | - | 4,500 |
| Vehicles | 496,900 | - | - | 496,900 |
| Total depreciable capital assets | 1,110,038 | 119,219 | - | 1,229,257 |
| Accumulated depreciation | (558,448) | (37,445) | - | (595,893) |
| Depreciable capital assets, net | 551,590 | 81,774 | - | 633,364 |
| Governmental activities, capital assets, net | \$ 577,460 | \$ 81,774 | \$ - | \$ 659,234 |
| | <u>April 1, 2005</u> | <u>Additions</u> | <u>Retirements</u> | <u>March 31, 2006</u> |
| Business-type activities: | | | | |
| Depreciable capital assets | | | | |
| Buildings and improvements | \$ 80,867 | \$ - | \$ - | \$ 80,867 |
| Equipment | 17,536 | - | - | 17,536 |
| Distribution system | 818,804 | - | - | 818,804 |
| Total depreciable capital assets | 917,207 | - | - | 917,207 |
| Accumulated depreciation | (683,817) | (23,594) | - | (707,411) |
| Depreciable capital assets, net | 233,390 | (23,594) | - | 209,796 |
| Business-type activities, capital assets, net | \$ 233,390 | \$ (23,594) | \$ - | \$ 209,796 |

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|------------------------|------------|
| General government | \$ 8,700 |
| Public safety | 28,308 |
| Recreation and culture | <u>437</u> |

| | |
|-------------------------------|------------------|
| Total governmental activities | <u>\$ 37,445</u> |
|-------------------------------|------------------|

Business-type activities:

| | |
|-------|------------------|
| Water | <u>\$ 23,594</u> |
|-------|------------------|

| | |
|--------------------------------|------------------|
| Total business-type activities | <u>\$ 23,594</u> |
|--------------------------------|------------------|

NOTE 5: LONG-TERM LIABILITIES

The Township has an installment contract with Community State Bank outstanding as of March 31, 2006 that was used for the purchase of equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

| <u>Types of Indebtedness</u> | <u>Maturity</u> | <u>Interest Rate</u> | <u>Annual Principal Installments</u> | <u>Original Loan Amount</u> | <u>Outstanding at Year-End</u> |
|---|-----------------|----------------------|--------------------------------------|-----------------------------|--------------------------------|
| <u>Governmental Activities</u> | | | | | |
| <u>General Obligation Bonds:</u> | | | | | |
| 2002 Loan - Installment Contract | 9/30/12 | 4.4% | \$8,855-16,626 | \$ 140,451 | \$ 98,565 |

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

| | <u>April 1, 2005</u> | <u>Additions</u> | <u>Retirements</u> | <u>March 31, 2006</u> | <u>Due Within One Year</u> |
|---|----------------------|------------------|--------------------|-----------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | | |
| <u>General Obligation Bonds:</u> | | | | | |
| 2002 Loan | \$ 111,265 | \$ - | \$ (12,700) | \$ 98,565 | \$ 13,345 |
| Total governmental activities | | | | | |
| - long-term liabilities | <u>\$ 111,265</u> | <u>\$ -</u> | <u>\$ (12,700)</u> | <u>\$ 98,565</u> | <u>\$ 13,345</u> |

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Annual debt service requirements to maturity for the above contractual obligations are as follows:

| <i>Year Ended</i> <i>March 31,</i> | <i>Governmental Activities</i> | | |
|---------------------------------------|--------------------------------|------------------|-------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2007 | \$ 13,345 | \$ 4,070 | \$ 17,415 |
| 2008 | 13,944 | 3,471 | 17,415 |
| 2009 | 14,570 | 2,845 | 17,415 |
| 2010 | 15,224 | 2,191 | 17,415 |
| 2011 | 15,908 | 1,507 | 17,415 |
| 2012-2013 | <u>25,574</u> | <u>912</u> | <u>26,486</u> |
| | <u>\$ 98,565</u> | <u>\$ 14,996</u> | <u>\$ 113,561</u> |

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

| | <i>Governmental</i> <i>Activities</i> | <i>Business-Type</i> <i>Activities</i> |
|---|--|---|
| Receivables: | | |
| Property taxes | \$ 48,655 | \$ - |
| Accounts | 39,635 | 34,130 |
| Intergovernmental | <u>22,199</u> | <u>-</u> |
| Total receivables | <u>\$ 110,489</u> | <u>\$ 34,130</u> |
| Accounts payable and accrued expenses: | | |
| Accounts | \$ 11,955 | \$ 9,103 |
| Payroll and related liabilities | 12,512 | 9,859 |
| Deposits payable | <u>3,841</u> | <u>-</u> |
| Total accounts payable and accrued expenses | <u>\$ 28,308</u> | <u>\$ 18,962</u> |

NOTE 7: INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances at March 31, 2006.

There were no interfund transfers during the fiscal year.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Township contributes to the James Township Group Pension Plan, which is a defined contribution pension plan. The Plan is administered by the James Township Board.

Under the pension plan, all employees and elected officials are eligible to participate in the plan. Plan provisions are established and may be amended by the Township Board.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that might be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 1 year of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 7.5% of the employee's base salary. Employees are required to contribute 7.5% of their base annual salary. Contribution requirements are established and may be amended by the Township Board.

During the plan year, the Township's required and actual contributions amounted to \$19,923 and the employees required and actual contributions amounted to \$19,923.

Post Employment Benefits:

The Township has no post employment benefits.

Deferred Compensation Plan:

The Township has no deferred compensation plan.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

REQUIRED SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2006

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Actual</i> |
|------------------------------------|-------------------------|---------------------|---------------------|--|
| | <i>Original</i> | <i>Final</i> | | <i>Over (Under)</i> <i>Final Budget</i> |
| Revenues: | | | | |
| Property taxes | \$ 97,902 | \$ 97,902 | \$ 101,637 | \$ 3,735 |
| Licenses and permits | 17,940 | 17,940 | 20,242 | 2,302 |
| Federal grants | 90,600 | 90,600 | 88,203 | (2,397) |
| State grants | 137,000 | 137,000 | 142,076 | 5,076 |
| Charges for services | 96,600 | 96,600 | 100,276 | 3,676 |
| Fines and forfeits | - | - | 71 | 71 |
| Interest and rents | 11,700 | 11,700 | 42,047 | 30,347 |
| Other revenue | 800 | 800 | 16,143 | 15,343 |
| | | | | |
| Total revenues | <u>452,542</u> | <u>452,542</u> | <u>510,695</u> | <u>58,153</u> |
| | | | | |
| Expenditures: | | | | |
| Current | | | | |
| General government | 135,605 | 133,052 | 107,803 | (25,249) |
| Public safety | 61,620 | 61,620 | 51,309 | (10,311) |
| Public works | 168,802 | 168,802 | 157,553 | (11,249) |
| Community and economic development | 28,105 | 28,105 | 11,321 | (16,784) |
| Recreation and culture | 11,000 | 11,000 | 7,512 | (3,488) |
| Other | - | 553 | 553 | - |
| Capital outlay | 215,225 | 217,225 | 121,794 | (95,431) |
| Debt service | | | | |
| Principal | 12,235 | 12,700 | 12,700 | - |
| Interest and fees | 5,180 | 4,715 | 4,715 | - |
| | | | | |
| Total expenditures | <u>637,772</u> | <u>637,772</u> | <u>475,260</u> | <u>(162,512)</u> |
| | | | | |
| Net change in fund balance | (185,230) | (185,230) | 35,435 | 220,665 |
| | | | | |
| Fund balance, beginning of year | <u>1,570,482</u> | <u>1,570,482</u> | <u>1,570,482</u> | <u>-</u> |
| | | | | |
| Fund balance, end of year | <u>\$ 1,385,252</u> | <u>\$ 1,385,252</u> | <u>\$ 1,605,917</u> | <u>\$ 220,665</u> |

OTHER SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

Revenues:

Current taxes:

| | |
|--------------------------|----------------|
| Property taxes | \$ 87,475 |
| Administration fees | 13,876 |
| Payment in lieu of taxes | 286 |
| | <u>101,637</u> |

Licenses and permits:

| | |
|----------------------------------|---------------|
| Business licenses and permits | 160 |
| Nonbusiness licenses and permits | 10,550 |
| CATV franchise fees | 9,532 |
| | <u>20,242</u> |

Federal grants:

| | |
|-------|---------------|
| Other | 88,203 |
| | <u>88,203</u> |

State grants:

| | |
|-------------------------------------|----------------|
| Summer tax collection reimbursement | 2,558 |
| Liquor license fees | 564 |
| State revenue sharing - sales tax | 136,448 |
| Other | 2,506 |
| | <u>142,076</u> |

Charges for services:

| | |
|----------------------------------|----------------|
| Refuse collection fees | 99,125 |
| Zoning/Variance application fees | 1,151 |
| | <u>100,276</u> |

Fines and forfeitures:

| | |
|-----------------|-----------|
| Ordinance fines | 71 |
| | <u>71</u> |

Interest and rents:

| | |
|----------|---------------|
| Interest | 29,207 |
| Rents | 12,840 |
| | <u>42,047</u> |

Other revenue:

| | |
|---------------------------------------|---------------|
| Special assessments - street lighting | 550 |
| Reimbursements | 9,628 |
| Refunds and rebates | 5,241 |
| Other | 724 |
| | <u>16,143</u> |

| | |
|----------------|--------------------------|
| Total revenues | <u><u>\$ 510,695</u></u> |
|----------------|--------------------------|

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

General Government:

Board:

| | |
|--------------------------------------|---------------|
| Personnel | \$ 11,228 |
| Fringe benefits | 842 |
| Supplies | 3,994 |
| Dues | 981 |
| Education, training, and conferences | 1,074 |
| Insurance | 1,658 |
| Other | 350 |
| | <u>20,127</u> |

Supervisor:

| | |
|--------------------------------------|---------------|
| Personnel | 10,800 |
| Fringe benefits | 810 |
| Mileage/Transportation | 22 |
| Dues | 20 |
| Education, training, and conferences | 340 |
| | <u>11,992</u> |

Clerk:

| | |
|--------------------------------------|---------------|
| Personnel | 10,320 |
| Fringe benefits | 774 |
| Dues | 110 |
| Education, training, and conferences | 420 |
| | <u>11,624</u> |

Audit:

| | |
|---------------------|--------------|
| Contracted services | 3,730 |
| | <u>3,730</u> |

Board of Review:

| | |
|---------------------------------------|--------------|
| Personnel | 1,430 |
| Fringe benefits | 107 |
| Publishing, printing, and advertising | 56 |
| | <u>1,593</u> |

Treasurer:

| | |
|--------------------------------------|---------------|
| Personnel | 11,520 |
| Fringe benefits | 864 |
| Dues | 50 |
| Education, training, and conferences | 1,428 |
| | <u>13,862</u> |

Assessor:

| | |
|---------------------|---------------|
| Supplies | 311 |
| Contracted services | 13,128 |
| Other | 420 |
| | <u>13,859</u> |

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

General Government, continued:

Elections:

| | |
|---------------------|--------------|
| Supplies | \$ 84 |
| Contracted services | 310 |
| Other | 620 |
| | <u>1,014</u> |

Buildings and Grounds:

| | |
|-------------------------|---------------|
| Personnel | 5,479 |
| Fringe benefits | 411 |
| Supplies | 1,098 |
| Telephone | 3,499 |
| Insurance | 2,729 |
| Utilities | 7,860 |
| Repairs and maintenance | 6,582 |
| | <u>27,658</u> |

Attorney:

| | |
|---------------------|------------|
| Contracted services | 846 |
| | <u>846</u> |

Other General Government:

| | |
|-------|--------------|
| Other | 1,498 |
| | <u>1,498</u> |

| | |
|--------------------------|----------------|
| Total general government | <u>107,803</u> |
|--------------------------|----------------|

Public Safety:

Enforcement Code:

| | |
|-----------------|------------|
| Personnel | 621 |
| Fringe benefits | 47 |
| | <u>668</u> |

Fire:

| | |
|--------------------------------------|---------------|
| Personnel | 4,800 |
| Fringe benefits | 360 |
| Supplies | 2,160 |
| Contracted services | 7,000 |
| Telephone | 3,456 |
| Dues | 280 |
| Education, training, and conferences | 320 |
| Insurance | 10,808 |
| Utilities | 5,255 |
| Repairs and maintenance | 3,546 |
| Other | 1,000 |
| | <u>38,985</u> |

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Public Safety, continued:

Building Inspection Department:

| | |
|--------------------------------------|---------------|
| Personnel | \$ 4,050 |
| Fringe benefits | 304 |
| Supplies | 384 |
| Contracted services | 6,131 |
| Contracted services | 100 |
| Education, training, and conferences | 170 |
| Publishing, printing and advertising | 517 |
| | <u>11,656</u> |
| Total public safety | <u>51,309</u> |

Public Works:

Drains - Public Benefit:

| | |
|---------------------|--------------|
| Contracted services | 6,052 |
| | <u>6,052</u> |

Road:

| | |
|---------------------|---------------|
| Contracted services | 61,024 |
| | <u>61,024</u> |

Street Lighting:

| | |
|-----------|--------------|
| Utilities | 2,927 |
| | <u>2,927</u> |

Refuse:

| | |
|---------------------|---------------|
| Contracted services | 87,550 |
| | <u>87,550</u> |

| | |
|--------------------|----------------|
| Total public works | <u>157,553</u> |
|--------------------|----------------|

Community and Economic Development:

Planning:

| | |
|---------------------------------------|---------------|
| Personnel | 7,667 |
| Fringe benefits | 581 |
| Supplies | 128 |
| Contracted services | 1,235 |
| Dues | 1,050 |
| Education, training, and conferences | 90 |
| Publishing, printing, and advertising | 250 |
| | <u>11,001</u> |

Zoning:

| | |
|---------------------------------------|------------|
| Personnel | 255 |
| Fringe benefits | 19 |
| Publishing, printing, and advertising | 46 |
| | <u>320</u> |

| | |
|--|---------------|
| Total community and economic development | <u>11,321</u> |
|--|---------------|

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2006

Recreation and Culture:

Parks and Recreation:

| | |
|----------------------------------|------------------|
| Personnel | \$ 3,915 |
| Fringe benefits | 294 |
| Supplies | 50 |
| Insurance | 1,650 |
| Other | <u>1,603</u> |
| | <u>7,512</u> |
| Total recreation and culture | <u>7,512</u> |

Other:

Payroll Taxes:

| | |
|-----------------|----------------|
| Payroll taxes | <u>553</u> |
| | <u>553</u> |
| Total other | <u>553</u> |

Capital Outlay:

| | |
|--------------------------|--------------------|
| General government | 7,470 |
| Public safety | 112,875 |
| Recreation and culture | <u>1,449</u> |
| | <u>121,794</u> |
| Total capital outlay | <u>121,794</u> |

Debt Service:

| | |
|------------------------|-------------------|
| Principal | 12,700 |
| Interest and fees | <u>4,715</u> |
| | <u>17,415</u> |
| Total debt service | <u>17,415</u> |

| | |
|--------------------|--------------------------|
| Total expenditures | <u><u>\$ 475,260</u></u> |
|--------------------|--------------------------|

JAMES TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2006

| | <u><i>April 1, 2005</i></u> | <u><i>Additions</i></u> | <u><i>Deductions</i></u> | <u><i>March 31, 2006</i></u> |
|-----------------------------------|---------------------------------|-------------------------|--------------------------|----------------------------------|
| <u>Tax Collection Fund</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 88,247 | \$ 1,326,730 | \$ 1,000,528 | \$ 414,449 |
| Total assets | <u>\$ 88,247</u> | <u>\$ 1,326,730</u> | <u>\$ 1,000,528</u> | <u>\$ 414,449</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 87,685 | \$ 204,031 | \$ 220,952 | \$ 70,764 |
| Due to other governmental units | <u>562</u> | <u>1,122,699</u> | <u>779,576</u> | <u>343,685</u> |
| Total liabilities | <u>\$ 88,247</u> | <u>\$ 1,326,730</u> | <u>\$ 1,000,528</u> | <u>\$ 414,449</u> |

JAMES TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2006

2002 Installment Contract

Issue dated September 17, 2002 in the amount of \$ 140,451

Less: Principal paid in prior years (29,186)
Principal paid in current year (12,700)

Balance payable at March 31, 2006 \$ 98,565

Balance payable as follows:

| <i><u>Fiscal</u></i> <i><u>Year Ended</u></i> | <i><u>Rate</u></i> | <i><u>Principal</u></i> | <i><u>Interest</u></i> | <i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i> |
|--|--------------------|-------------------------|------------------------|--|
| 2007 | 4.40% | \$ 13,345 | \$ 4,070 | \$ 17,415 |
| 2008 | 4.40% | 13,944 | 3,471 | 17,415 |
| 2009 | 4.40% | 14,570 | 2,845 | 17,415 |
| 2010 | 4.40% | 15,224 | 2,190 | 17,414 |
| 2011 | 4.40% | 15,908 | 1,507 | 17,415 |
| 2012 | 4.40% | 16,622 | 793 | 17,415 |
| 2013 | 4.40% | <u>8,952</u> | <u>119</u> | <u>9,071</u> |
| | | <u>\$ 98,565</u> | <u>\$ 14,995</u> | <u>\$ 113,560</u> |



June 22, 2006

To The Township Board
James Township

We have audited the financial statements of James Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of James Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by James Township are described in Note 1 to the financial statements. We noted no transactions entered into by James Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated June 22, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants